



02-CV-01683-ORD

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

VALVE CORPORATION, a Washington
corporation,

Plaintiff,

v.

SIERRA ENTERTAINMENT INC., (AKA
SIERRA ON LINE INC.), a Delaware
corporation; VIVENDI UNIVERSAL
GAMES, INC., a Delaware corporation; and
VIVENDI UNIVERSAL, S.A., a French
foreign corporation,

Defendants.

No. C02-1683Z

ORDER

SIERRA ENTERTAINMENT INC., (AKA
SIERRA ON LINE INC.), a Delaware
corporation; and VIVENDI UNIVERSAL
GAMES, INC., a Delaware corporation;

Counter-Claimants,

v.

VALVE CORPORATION, a Washington
corporation; GABE NEWELL and LISA
MENNET NEWELL, husband and wife and
the marital community composed thereof; and
SCOTT LYNCH and JULIE LYNCH,
husband and wife and the marital community
composed thereof,

Counterclaim Defendants.

BACKGROUND

Plaintiff Valve Corporation ("Valve") brings this motion objecting to the Order by Judge Theiler, entered on October 25, 2004. Defendants Sierra Entertainment, Inc., and Vivendi Universal Games, Inc. (collectively "Vivendi") inadvertently produced the three documents which are now at issue. The documents were produced on September 24, 2004. Quackenbush Decl., docket no. 215, at ¶ 8. The documents reflect ongoing internal discussions among Vivendi's Asia and U.S. executives concerning Vivendi's distribution of Valve games to cyber-café's in Asia, and the business impacts of giving up cyber-café rights in Asia.

Vivendi contends the documents are attorney-client privileged and attorney work product. When Vivendi realized the documents had been produced, and was unable to secure their return, it brought the matter before Judge Theiler. This Court previously referred all pretrial discovery matters to Judge Theiler pursuant to 28 U.S.C. § 636(b)(1)(A). See Minute Order, docket no. 176.

Vivendi requested that Judge Theiler order the return of the documents under the terms of the Stipulated Protective Order, docket no. 137. The Protective Order provides for the return of inadvertently produced privileged or work-product documents. Judge Theiler granted Vivendi's request, and ruled, in relevant part, that:

- (1) The documents at issue constitute work product prepared in anticipation of litigation and at the behest of counsel, and/or contain privileged attorney-client communications. The inadvertent production of these documents by defendants did not constitute a waiver of the attorney-client privilege or of work product protection.
- (2) Plaintiff shall immediately return the documents at issue to counsel for defendants. The documents may not be used or relied upon in this litigation or for any other purpose.

Magistrate Judge's Order, docket no. 210, at 1-2. Plaintiff objects to Judge Theiler's Order pursuant to Fed.R.Civ.P. 72(a). The Court must consider the Objections, and modify or set aside any portion of the Order that is clearly erroneous or contrary to law.

1 **DISCUSSION**

2 **1. Waiver by Inadvertent Production**

3 Ordinarily, production of a document subject to the attorney-client privilege or work
4 product protection operates as a waiver. E.g. Underwater Storage, Inc. v. United States
5 Rubber Co., 314 F. Supp. 546, 549 (D.D.C. 1970). However, the Protective Order provides
6 that inadvertent production of information subject to a claim of attorney-client privilege,
7 attorney work product, or other privilege or immunity, shall not operate as a waiver of the
8 privilege or protection. See Stipulated Protective Order, docket no. 137, at ¶ 20.

9 This provision operates where the producing party believes information is subject to
10 privilege or protection, and makes a timely request for its return. Judge Theiler properly
11 concluded that inadvertent production of these documents did not operate as a waiver of any
12 privilege or protection. However, the Court must determine whether the asserted privileges
13 or protections are applicable.

14 **2. Attorney-Client Privilege**

15 The attorney-client privilege attaches to (1) communications; (2) made in confidence;
16 (3) by the client; (4) in the course of seeking legal advice; (5) from a lawyer in his capacity as
17 such. See Admiral Ins. Co. v. U.S. Dist. Ct., 881 F.2d 1486, 1492 (9th Cir. 1989).

18 Specifically, "[t]he privilege protects the giving of professional advice by the lawyer and the
19 giving of information to the lawyer to enable him to give sound and informed advice."

20 Kintera, Inc. v. Convio, Inc., 219 F.R.D. 503, 508 (S.D. Cal. 2003). Further, the privilege
21 may protect communications within a corporation that are made for the purpose of securing
22 legal advice. In order for the privilege to apply to communications within a corporation, (1)
23 the communication should have been made for the purpose of securing legal advice; (2) the
24 employee making the communication should have done so at the direction of his corporate
25 superior; (3) the superior made the request so that the corporation could secure legal advice;
26 (4) the subject matter of the communication should have been within the scope of the

1 employee's duties; and (5) the communication should not have been disseminated beyond
2 those persons who need to know the information. Cuno, Inc. v. Pall Corp., 121 F.R.D. 198,
3 203 (E.D.N.Y. 1988).

4 Vivendi's claim of attorney-client privilege for these documents is without merit. In
5 order to be subject to the attorney-client privilege, the communication must have been made
6 *for the purpose of securing legal advice*. See Admiral Ins., 881 F.2d at 1492. None of the
7 documents at issue indicate preparation for the purposes of securing legal advice. Rather, the
8 documents are sales forecasts, prepared to evaluate the impact of losing the right to license
9 Valve products in Asian cyber-café's. While a loss of the license may be related to the Valve
10 litigation, these documents address solely the business impacts of losing Valve games in
11 Asian cyber-café's. Further, all of the documents are directly between executives, although
12 portions are copied to Vivendi's Senior Vice President and General Counsel.

13 The first document, dated November 15, 2002, is from Mark Warburton, Marketing
14 Director (Asia-Pacific), to Mike Ryder, former President of Sierra. See Quackenbush Decl.,
15 docket no. 215, at 8 (document no. 1). The email is copied to Franck Villet, Vivendi's Chief
16 Financial Officer (Asia-Pacific). The substance of this email is entirely devoted to the
17 business impacts of losing the right to license Valve products in Asian cyber-café's. The
18 document does not suggest that it was sent for the purpose of securing legal advice, and was
19 not sent to Vivendi's Senior Vice President and General Counsel.

20 The second document, dated January 22, 2003, confirms the business nature of the
21 discussions. Franck Villet, Vivendi's Chief Financial Officer (Asia-Pacific), sent this email
22 to Mark Warburton, Marketing Director (Asia-Pacific). See Quackenbush Decl., docket no.
23 215, at 9-10 (document no. 2). Like the first document, this email message contains no
24 indication that it is for the purposes of securing legal advice, and was not sent to Vivendi's
25 Senior Vice President and General Counsel.

1 The third document, dated February 24, 2003, is also not attorney-client privileged,
2 because it was not sent for the purposes of legal advice. See Quackenbush Decl., docket no.
3 215, at 11-12 (document no. 3). Hubert Larenaudie, President of Vivendi Asia-Pacific,
4 “wanted to share with [Christophe Ramboz, Director and President, Chief Operating Officer,
5 for Vivendi International] ... why it is essential that our company secures [Valve netcafe
6 rights for Asia]. Like the first two emails, this email was not sent for the purposes of legal
7 advice; rather, it was sent to inform Mr. Ramboz why Valve cyber-café rights are “essential.”

8 Further, although the third document was copied to Vivendi’s Senior V.P. & General
9 Counsel, it was also copied to numerous other executives and contains no indication of
10 privilege. Business advice is not protected merely because a copy is sent to in-house counsel.
11 Only if the attorney is “acting as a lawyer,” and giving advice with respect to the legal
12 implications of a proposed course of conduct, may the attorney-client privilege be properly
13 invoked. Union Carbide Corp. v. Dow Chemical Co., 619 F. Supp. 1036, 1046 (D. Del.
14 1985). Nothing in these communications indicates that Mr. Roeder was acting outside his
15 role as Senior Vice President. Moreover, related documents supporting these sales forecasts
16 appear to have been generated for business purposes, and bear no relation to this litigation, or
17 to any request for legal advice. See, e.g., Quackenbush Decl., docket no. 215, at 125-33 (HL
18 CZ AP SALES FORECAST.xls).

19 Vivendi’s primary argument for invoking the attorney-client privilege is Mr. Roeder’s
20 prior requests for sales revenue information. See Roeder Decl., docket no. 223, at pp. 4-22
21 (*in camera* document nos. 4-8). Vivendi claims that all communications (even those not
22 directed to Mr. Roeder) were pursuant to his request, and generated in the course of seeking
23 legal advice. However, Vivendi’s claim is not supported by the facts. The documents at
24 issue contain no indication that they were submitted for the purposes of seeking legal advice.
25 Moreover, although the *in camera* documents submitted by Vivendi do show several requests
26

1 by Mr. Roeder for sales and revenue information, there is no connection between these
2 requests and the sales forecasting documents prepared by Vivendi employees.

3 Vivendi's argument that these messages are privileged because they are related in
4 scope, context, and temporal proximity, must also be rejected. The facts simply do not
5 support such a finding, and the attorney-client privilege is narrow and may not be extended
6 wholesale to an entire class of "related" documents.

7 The three documents in question are not subject to the attorney-client privilege
8 because the communications were not made for the purposes of securing legal advice.

9 **3. Work Product**

10 **a. Eligibility**

11 The work product doctrine protects "from discovery documents and tangible things
12 prepared by a party or his representative in anticipation of litigation." Fed.R.Civ.P. 26(b)(3);
13 United States v. Torf (In re Grand Jury Subpoena), 357 F.3d 900, 906 (9th Cir. 2004) (citing
14 Admiral Ins., 881 F.2d at 1494). The proper test for determining whether a document was
15 prepared "in anticipation of litigation," is whether it can fairly be said that the "document
16 was created because of anticipated litigation, and would not have been created in
17 substantially similar form but for the prospect of that litigation. Torf, 357 F.3d at 907-08
18 (citing United States v. Adlman, 134 F.3d 1194, 1202 (2d Cir. 1998)).

19 There is substantial evidence that these documents were created as part of the ordinary
20 course of Vivendi's business. See, e.g., Quackenbush Decl., docket no. 215, at 125-33.
21 However, the Ninth Circuit has adopted a broad test for eligibility for work-product
22 protection. See Torf, 357 F.3d at 908. Here, the pending Valve litigation, and the
23 prospective impacts of settlement, were factors in the preparation of these documents,
24 separate and apart from their business purposes. As such, the Court concludes that
25
26

1 Magistrate Judge Theiler's decision that these documents were eligible for work-product
2 protection was not clearly erroneous.¹

3 However, the determination that these documents are eligible for work-product
4 protection does not end the Court's inquiry. A finding that a document is prepared because
5 of the prospect of litigation warrants application of Fed.R.Civ.P. 26(b)(3), but does not
6 necessarily mean that the document will be protected against discovery. Adlman, 134 F.3d at
7 1202. Rather, it means that the document is *eligible* for work-product privilege. Id. at 1202-
8 03. The Court must assess whether the party seeking discovery has made an adequate
9 showing of substantial need for the document, and an inability to obtain its contents
10 elsewhere without undue hardship. Thus, Valve may still obtain these documents upon a
11 showing of substantial need, and undue hardship in obtaining the information through other
12 means.

13 **b. Discovery**

14 Discovery of materials eligible for work-product protection is proper where the Court
15 determines the party seeking discovery has demonstrated (1) an adequate showing of
16 substantial need for the information; and (2) an inability to obtain its contents elsewhere
17 without undue hardship. Torf, 357 F.3d at 906 (citing Fed.R.Civ.P. 26(b)(3)). The work-
18 product doctrine is intended to protect trial preparation materials that "reveal an attorney's
19 strategy, intended lines of proof, evaluation of strengths and weaknesses, and inferences
20 drawn from interviews." Heath v. F/V Zolotoi, 221 F.R.D. 545, 549 (W.D. Wash. 2004)
21 (citing Hickman v. Taylor, 329 U.S. 495, 511 (1947)). The less the lawyer's mental
22 processes are involved, the less will be the burden to show good cause for disclosure. Harper
23 & Row Publishers Inc. v. Decker, 423 F.2d 487, 492 (7th Cir. 1970). The documents at issue
24

25 ¹ A finding is "clearly erroneous when the reviewing court on the entire evidence is left
26 with a definite and firm conviction that a mistake has been committed." In re Life USA
Holding, Inc., 242 F.3d 136, 143 (3d Cir. 2001) (citing United States v. Igbonwa, 120 F.3d 437,
440 (3d Cir. 1997)).

1 in this case do not evidence the lawyer's mental process; rather, they present factual sales
2 forecast information compiled by non-lawyers.

3 (1) *Substantial Need*

4 Valve has demonstrated a substantial need for these documents, and the information
5 they contain. The documents provide sales forecast information for Valve games in Asian
6 cyber-café's, which Valve has been otherwise unable to obtain. See Quackenbush Decl.,
7 docket no. 215, at 8-12 (document nos. 1-3). This information is the crux of Valve's case
8 against Vivendi, and is critically important to Valve in proving its damages at trial. Valve
9 has been unable to obtain this sales forecast information through other discovery methods. In
10 addition, the information is highly relevant because it contradicts prior statements by Vivendi
11 during discovery and in depositions. This information may be used for impeachment at trial.
12 The Court concludes that Valve's substantial need for these documents is clearly established.

13 Vivendi does not seriously dispute that Valve has a substantial need for these
14 documents. Rather, it asserts that Valve may obtain the information elsewhere, without
15 undue hardship.

16 (2) *Undue Hardship*

17 Valve has demonstrated that it cannot obtain the information in these documents
18 elsewhere, or by other means, without substantial and undue hardship. Valve has attempted
19 to obtain the factual information in these documents through discovery, and has been
20 unsuccessful. For example, Valve's interrogatories requested the following sales
21 information:

22 Interrogatory No. 8: For the period from March 29, 2001 to the present identify
23 the total revenues received by any Defendant resulting from the exploitation of
Valve products in connection with cybercafés.

24 Quackenbush Decl., docket no. 215, at 14. Vivendi responded that "[i]n Asia and the Middle
25 East, the Defendants' total revenues from the sale, licensing or distribution of Valve games
26 to cybercafés from March 2001 through 2003 was approximately \$1,237,681." Id. at 15.

1 Thus, for an almost three year period, Vivendi claimed revenues of approximately \$1.2
 2 million. However, Mr. Warburton estimated that the value of Valve games to Vivendi was
 3 \$9.7 million for 2003 alone. See Quackenbush Decl., docket no. 215, at 8 (document no. 1).
 4 Two months later Mr. Warburton reiterated his view that the impact to Vivendi's Asia-
 5 Pacific business would be \$9.7 million for 2003, if Vivendi lost cyber-café rights for the
 6 Valve games. See Quackenbush Decl., docket no. 215, at 9-10 (document no. 2).

7 While there is certainly a difference between sales forecasts and actual revenues,
 8 Valve is entitled to both types of information. Further, Vivendi's discovery responses show
 9 revenues substantially different from its own projections, and demonstrate Valve's inability
 10 to obtain this information through appropriate discovery methods. Vivendi's suggestion that
 11 Valve can obtain this discovery through other means of discovery cannot be taken seriously
 12 in light of Vivendi's apparent failure to provide requested information in discovery. Another
 13 example counters Vivendi's assertion that Valve may obtain this information through other
 14 discovery means. The following exchange took place during Mr. Warburton's (Marketing
 15 Director (Asia Pacific)) deposition:

16 Q: Have you ever done any analysis of bundling of Valve products with other
 17 Vivendi Universal Games titles?

18 A. No.

19 ...

20 Q. Have you ever attempted to analyze the value of the leverage Counter-Strike:
 21 Condition Zero had over other titles in the Vivendi Universal Games
 22 Catalogue?

MR. O'CONNOR: Vague, ambiguous, overbroad.

23 A. No.

24 See Quackenbush Decl., docket no. 215, at 19, 27 (Warburton Dep.). Mr. Warburton's
 25 testimony directly contradicts his written statements in the documents at issue. For example,
 26 in document no. 1, Mr. Warburton stated, with regard to Sierra titles in Asian cyber-café,
 "[w]e leverage sales of less popular Sierra PC games into the channel by packaging them up
 with Countrestrike (sic)." See Quackenbush Decl., docket no 215, at 8. Mr. Warburton


1 further stated, with regard to Vivendi titles in Asian cyber-café's, "this is where we would
2 leverage sales of less popular VUG singles (sic) player PC games into the channel by
3 packaging them up with Countrestrike (sic)." Id. Valve has demonstrated that it cannot
4 obtain this information by other means without undue hardship. Valve is entitled to this
5 information, and Vivendi has prevented Valve from obtaining it.

6 **CONCLUSION**

7 The Court SUSTAINS Plaintiff's objections to Magistrate Judge Theiler's October
8 25, 2004, and ORDERS that Valve is entitled to retain and use these documents, subject to
9 the applicable provisions in the Stipulated Protective Order, docket no. 137.

10
11 IT IS SO ORDERED.

12 DATED this 6th day of December, 2004.

13
14 
15 THOMAS S. ZILLY
16 UNITED STATES DISTRICT JUDGE
17
18
19
20
21
22
23
24
25
26